

Time for a CRM Tune-Up



BY JIM CARROLL

***Is your company making the most of its CRM capabilities?
Chances are you can improve the handling of your CRM system***

Several months ago, I received a call from the collections department of a major utility company concerning an "outstanding" bill related to a property I had rented.

Apparently, I had never paid the bill, but that was because I had never received it. It was sent in error to the owner of the property I was renting from who, of course, was away for the winter. I suggested to the individual on the line that if they could send a copy of the bill, I would pay it immediately. Not so, I was told - they needed payment over the phone. If I didn't pay it right then and there by phone, they would arrange to cut off my residential service the following Monday.

What could I do? I paid the bill immediately.

And since I was rather outraged by the attitude of this individual to what I thought was a reasonable request, I sent some pretty angry messages to the organization's public relations department. I then proceeded to cancel all of my business with this company. That's how furious I was - I decided I would never spend a dime with this company again.

The fascinating thing to me is that this company is a well-known user of customer-relationship management (CRM) software. The stated goal of their project had been to use the system to provide for an experience of "customer delight." If the CRM was effectively used, this negative customer experience should never have happened. After all, the collections department representative would have looked at my "customer file" prior to the call, and would have determined that I had been a loyal customer for eighteen years. She would have seen that I never had a late pay-

ment in my life, and certainly had maintained a stellar credit rating. She would then have determined that a more reasonable approach with me would have made sense.

So what went wrong here? I suspect one of two things - either the much-vaunted CRM system didn't contain appropriate information that would have helped with this situation. Or more likely, no one ever bothered suggesting to the collections department that they should revise their day-to-day work processes and culture to make the CRM information a key component of the approach they take with

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customers. In other words, either bad data or processes with the CRM killed the customer relationship, rather than enhancing it.

Regardless of which reason is true, this is one example of how, after an initial period of hype, CRM has become somewhat of a dirty word. Certainly it is big business. The Canadian Marketing Association found in a survey that 80% of mid-sized and large companies in Canada had some type of CRM project in place. The vision they were buying into seemed straightforward. CRM seemed to be a magic bullet that would provide instant customer loyalty, greater sales revenue and a huge decrease in customer complaints.

Hype, perhaps even more so than business strategy, ruled the purchasing of CRM software. That's why the worldwide market shot

up from \$2.1-billion in sales in 1999 to \$3.7-billion by 2001 according to the Gartner Group. On a per-employee basis, that's a pretty big investment, with Gartner indicating that it costs about \$28,000 to \$40,000 US to enable one salesperson with effective CRM tools, and at least \$35,000 to extend the functionality to a call center agent.

Yet the CMA survey found that only 6% of those implementing CRM believe they have seen a positive ROI. And the rest don't even know when they'll see a benefit - while some 54% expect a return "sometime" in the next few years, an additional 40% say they don't even know when they will see such a benefit.

These numbers shouldn't come as a surprise, since it is now obvious that many companies didn't really spend much time thinking about CRM - short of cutting a purchase order. Another survey performed by the Insight Technology Group found that 52% of

those who bought CRM software in the US didn't bother to establish guidelines for an effective ROI before their project began. The result is that a lot has gone wrong in a very short period of time. The research firm McKinsey found that 48 percent of small scale and 65% of large scale CRM implementations are stopped before their full potential is realized. The Gartner Group reports that upwards of 55% of such projects could be considered to be failures.

Those are pretty damning numbers. Does this mean that CRM was just a myth perpetrated on the corporate sector by software companies? Does it suggest that companies should abandon CRM as a strategy?

Absolutely not. What is known is that, by and large, those who got involved with CRM

approached it as a technology project, not as a key business strategy. Far too many people came to believe that all they had to do was buy

CRM help to fuel that selling? Is your industry subject to potentially large numbers of customer complaints, and if so, might a CRM

change that CRM introduces within the organization, it can only be driven from the very top. And it hasn't been – the CMA

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and install some CRM software, and magic would happen. Yet technology is a very small part of the equation – CRM is really about a significant change to corporate culture.

The fact is, CRM isn't just a database of customer interactions and sales transactions – it's a mindset. The key thing you must start with, whether you are new at pursuing CRM or whether you are trying to kick some life back into an existing project, is to start with the strategy.

Are there clearly defined goals that you want to accomplish, and if so, how might a variety of CRM tools help you achieve those goals? Is there a lot of customer churn in your industry? How might CRM help you minimize the churn by building in increased loyalty and repeat business? Is yours a business in which cross-selling can present an opportunity for revenue growth, and if so, how might

help turn complaints into opportunities? These are just a few of the strategic questions that an organization needs to address.

Then, to make the project work, an organization must understand that CRM is all about changing internal policies and procedures, something that can only be done with careful change management. People will instantly doom a CRM initiative to failure or become suspicious of its intent, if they don't see the reason for the system or don't understand its goals. The simple fact is that people don't like change, and a CRM project can often involve a great degree of additional work. People won't want to put in any extra effort if they don't see a benefit – hence, communication is critical. Not to mention that a successful CRM demolishes corporate silos and other barriers to information sharing, something that isn't easy to do.

Given the rather massive level of cultural

survey, for example, indicated that only 12% of the projects had CEO involvement. The vast majority of the other projects were spearheaded by the VP of Marketing or Sales. This almost guarantees that the initiative will never see the broad corporate support that such a fundamental cultural change requires, and speaks to the massive rates of failure of CRM initiatives throughout Canada. If your CEO and board isn't driving the CRM initiative, then it's time they got involved.

Clearly, corporate Canada has learned some hard lessons in the last few years. But now is not the time to give up on CRM. Instead, it is time to revisit the opportunity, by establishing or re-establishing the key business strategies behind the CRM and by addressing the cultural change involved. **C**

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